

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-08  
FRB-03 INR-10 IO-13 NEA-10 NSAE-00 ICA-11 OPIC-03  
SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00 OMB-01 SS-15  
FTC-01 JUSE-00 XMB-02 /103 W  
-----117821 140444Z /14

R 121719Z JUL 78  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC 7811  
INFO ALL EC CAPITALS

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USEEC

PARIS ALSO FOR USOECD

E.O. 11652: N/A  
TAGS: EEC, EGEN  
SUBJ: NEW EC DIRECTIVE ON COMPANY ACCOUNTS

REF: (A) 76 EC-A 349; (B) BRUSSELS 12798

1. SUMMARY: AT ITS MEETING OF JUNE 27 THE EC COUNCIL OF  
MINISTERS APPROVED A DIRECTIVE ON COMPANY LAW DEALING  
WITH FINANCIAL ACCOUNTS. THE EFFECT OF THE NEW DIRECTIVE  
WILL BE TO HARMONIZE ANNUAL ACCOUNTS OF COMPANIES IN-  
CORPORATED INTO THE COMMUNITY WITH RESPECT TO THEIR  
PHYSICAL LAYOUT, INFORMATION ON ASSETS AND LIABILITIES  
AND AUDITING. THE ADOPTION OF THIS DIRECTIVE SHOULD  
ENABLE THE COMMISSION TO MOVE AHEAD ON A SEVENTH  
DIRECTIVE FOR CONSOLIDATED ACCOUNTS FOR GROUPS OF COM-  
PANIES. END SUMMARY.

2. AFTER SEVEN YEARS OF DISCUSSION THE EC COUNCIL HAS  
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FINALLY ADOPTED AN ACCOUNTING DIRECTIVE PROVIDING  
MINIMUM STANDARDS FOR THE PRESENTATION AND CONTENT OF  
ANNUAL ACCOUNTS AND THE ANNUAL REPORT, THE VALUATION  
METHODS USED IN THESE DOCUMENTS, AND THEIR PUBLICATION.

3. THE DIRECTIVE APPLIES TO ALL EC LIMITED LIABILITY  
COMPANIES (INCLUDING LIMITED PARTNERSHIPS WITH SHARE

CAPITAL) EXCEPT FOR BANKS AND INSURANCE COMPANIES WHICH WILL BE THE SUBJECT OF SEPARATE DIRECTIVES. SMALL AND MEDIUM-SIZED COMPANIES (UP TO FOUR MILLION UNITS OF ACCOUNT IN ASSETS,EIGHT MILLION U.A. IN SALES,AND LESS THAN 250 EMPLOYEES) ARE ALSO EXEMPT FROM THE DIRECTIVE. MEMBER STATES WILL BE REQUIRED TO BRING INTO FORCE WITHIN TWO YEARS NATIONAL LEGISLATION TO IMPLEMENT THE DIRECTIVE. AFTER THAT COMPANIES WILL HAVE AN ADDITIONAL EIGHTEEN MONTH DELAY (LONGER FOR SOME SPECIAL EXCEPTIONS) TO ADJUST TO THE NEW RULES.

4. ACCORDING TO THE EC COMMISSION THE DIRECTIVE IS AIMED AT PROVIDING INCREASED TRANSPARENCY IN THE ECONOMIC SITUATION OF ENTERPRISES IN ORDER TO ENSURE GREATER PROTECTION OF EMPLOYEES, BUSINESS ASSOCIATES AND CREDITORS AS WELL AS TO STIMULATE TRANSNATIONAL INVESTMENT BY PROVIDING COMMON REFERENCE POINTS. THE GENERAL THRUST OF THE DIRECTIVE IS THAT ANNUAL ACCOUNTS SHOULD GIVE A TRUE AND FAIR VIEW OF THE COMPANY'S FINANCIAL POSITION - NOT JUST THAT INFORMATION NECESSARY TO SATISFY TAX AUTHORITIES. TO THIS END THE DIRECTIVE ALLOWS CONSIDERABLE CHOICE IN PRESENTATION AND INFORMATION WHEN THAT CHOICE LEADS TO MORE ACCURATE REFLECTION OF THE COMPANY'S ECONOMIC POSITION.

5. COMMENT: APPROVAL OF THE FOURTH DIRECTIVE IS A PART OF THE COMMISSION'S GENERAL PROGRAM FOR COMPANY LAW AND LIMITED OFFICIAL USE

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PERHAPS THE MOST IMPORTANT SO FAR IN TERMS OF PRACTICAL CONSEQUENCES FOR FIRMS IN THE EC. IT IS ALSO INDIRECTLY RELATED TO THE COMMISSION'S APPROACH TO MULTINATIONAL CORPORATIONS. THIS APPROACH FOCUSES (AT LEAST FOR THE MOMENT) NOT ON REGULATION OF MNC'S SO MUCH AS DEVELOPING AN INFORMATION BASE ABOUT THEM. THE PROPOSED SEVENTH DIRECTIVE ON CONSOLIDATED ACCOUNTS WILL DO APPROXIMATELY THE SAME THING AS THE FOURTH BUT WILL REQUIRE THE ACCOUNTS OF PARENT COMPANIES TO BE CONSOLIDATED WITH THE ACCOUNTS OF THE GROUP OF WHICH IT IS THE PARENT. A NEW DRAFT OF THIS PROPOSAL IS EXPECTED TO BE PRESENTED TO THE COUNCIL FOR DISCUSSION BEFORE 1979 AND COMMISSION OFFICIALS ARE HOPEFUL THAT WITH THE FOURTH DIRECTIVE ADOPTED, THE WAY IS NOW CLEAR FOR RELATIVELY PROMPT APPROVAL OF THE SEVENTH.

6. MISSION SENDING FULL TEXT OF DIRECTIVE SEPARATELY.  
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## Message Attributes

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**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ACCOUNTS, REGULATIONS  
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**Disposition Date:** 20 Mar 2014  
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**Executive Order:** N/A  
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**TAGS:** EGEN, EEC  
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**Review Markings:**  
Sheryl P. Walter  
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